

On the Construction of China's Counter-Terrorist Financing Legal System

Fangzhou Cao*

School of International law, Shanghai University of Political Science and Law, Shanghai, 201701, China

*Email: caofangzhouark@163.com

ABSTRACT

With the increasing diversification and covertness of global terrorist financing methods, China's counter-terrorism financing legal system faces severe challenges. Constructing a counter-terrorism financing legal system that both conforms to international standards and adapts to China's national conditions is crucial for counter-terrorism efforts. This article analyzes the theoretical foundations and international legal framework of counter-terrorism financing, and compares it with the current state of China's counter-terrorism financing legal system. It finds that China's current counter-terrorism financing legal system is plagued by a lack of specialized laws, regulatory loopholes, shortcomings in international cooperation, and lagging technological application. Drawing on international experience, this article proposes building an efficient and comprehensive counter-terrorism financing prevention and control regulatory network to address the needs of domestic and international security situations by developing relevant legal frameworks, optimizing regulatory mechanisms, strengthening technological capabilities, and increasing social participation.

KEYWORDS

Terrorist Financing; Anti-Terrorist Financing Legal System; Anti-Money Laundering.

1. CURRENT STATUS OF CHINA'S ANTI-TERRORIST FINANCING LEGAL SYSTEM

1.1. Development Process of China's Anti-Terrorist Financing Legal System

The cornerstone of counter-terrorism financing is the international legal framework. Building upon this theoretical foundation, my country has incorporated advanced international theories and knowledge, incorporating them into its national conditions and developmental characteristics, to gradually develop its own independent legal system. Before 2001, the 1997 Criminal Law already included the crime of "organizing, leading, or participating in a terrorist organization." While this crime regulated terrorist organizations at the time, it did not involve fund tracing or property penalties, and counter-terrorism financing activities did not have a distinct legal status. Following the September 11, 2001, attacks, and terrorist acts, my country strengthened its anti-terrorism legislation. The Third Amendment to the Criminal Law included terrorist activities as predicate offenses for money laundering, marking the first legal connection between terrorism and money laundering. Furthermore, the addition of the crime of "financing terrorist activities" marked the first time that crimes related to providing funding for terrorist organizations were legally regulated and punished. In 2003, the People's Bank of China revised and issued four anti-money laundering regulations, including the "Regulations on Anti-Money Laundering for Financial Institutions." This expanded the

scope of anti-money laundering regulation from its initial focus on the banking sector to encompass comprehensive oversight of other financial institutions, including the securities and insurance industries, and established a preliminary regulatory framework. The Anti-Money Laundering Law, passed in 2006, explicitly covered the monitoring of funds suspected of terrorist activities, marking the first instance of legal guidance on the monitoring and regulation of terrorist financing crimes. In 2007, the People's Bank of China issued the "Administrative Measures for Financial Institutions to Report Suspicious Transactions Suspected of Terrorist Financing," which also detailed the concept, obligations, specific measures, and legal responsibilities of counter-terrorist financing. That same year, my country became a full member of the Financial Action Task Force (FATF). In 2011, my country adopted the "Decision of the Standing Committee of the National People's Congress on Issues Concerning Strengthening Counter-Terrorism Work." Its significance within the anti-terrorist financing legal system lies in its clear definition of terrorist activities, terrorist organizations, and terrorist individuals, and the authority granted to financial institutions and certain non-financial institutions to immediately freeze terrorist-related assets upon discovery. This provision significantly facilitates the timely exercise of these powers by competent authorities to curb the development of terrorist financing activities, playing a key role in curbing terrorist activities and safeguarding national security. The Anti-Terrorism Law, passed in 2015, further improved the relevant anti-terrorist financing system, and its importance to the development and improvement of China's anti-terrorist financing legal system is self-evident. In 2024, my country revised its Anti-Money Laundering Law (revised in 2024). The new Anti-Money Laundering Law explicitly includes terrorist financing activities within the scope of anti-money laundering, and relevant provisions regarding terrorist financing are formally and systematically incorporated into the Anti-Money Laundering Law. This demonstrates the importance that China's top-level design places on the development of the anti-terrorist financing legal system and has far-reaching significance for enhancing the legal system and international recognition of China's anti-terrorist financing efforts.

1.2. Effectiveness of China's Anti-Terrorist Financing Legal System

In recent years, China's anti-terrorist financing efforts have achieved considerable success. The regulatory coverage of financial institutions has significantly increased, with banks, insurance companies, and securities firms now largely integrated into the anti-money laundering system. With the upcoming FATF's fifth round of mutual evaluations, the Supreme People's Court and the Supreme People's Procuratorate jointly issued the "Interpretation on Several Issues Concerning the Application of Law in Handling Criminal Money Laundering Cases" in August 2024, and the revised Anti-Money Laundering Law was adopted in November. China's 2024 Central Bank Anti-Money Laundering Report shows that 230 institutions were penalized for anti-money laundering, totaling 320.9983 million yuan. Both the number of fines and penalties was the lowest in five years. 3,032 individuals were prosecuted for money laundering offenses, including the use of "virtual currency" to transfer criminal proceeds, an increase compared to previous years. Furthermore, my country actively participates in international counter-terrorism cooperation and has made significant contributions in combating telecommunications fraud and other money laundering crimes. China's current anti-terrorist financing legal system primarily reflects a state-led approach. State investment and state-designated directions have become the driving force and guiding force influencing state agencies at all levels in their counter-terrorist financing activities. Compared to state-led actions, other areas of anti-terrorist financing efforts are relatively lacking.

2. LEGAL THEORETICAL ANALYSIS OF ANTI-TERRORIST FINANCING

2.1. Anti-Terrorist Financing and Anti-Money Laundering

Terrorist financing refers to the act of providing financial support for terrorist activities through legal or illegal channels. This behavior includes the collection, transfer, and use of funds. In short, terrorist

financing is the act of providing economic support for terrorist purposes. Its core purpose is to facilitate the occurrence or continuation of terrorist activities through the flow of funds. Funds may come from legal income such as charitable donations, commercial profits, or illegal proceeds such as drug trafficking and extortion. Transfer methods include traditional financial channels such as bank transfers and remittances, as well as emerging tools such as virtual currencies and mobile payments, which will be discussed later. The purpose of terrorist financing is to directly or indirectly facilitate terrorist acts, sustain the operations of terrorist organizations, and infiltrate every aspect of terrorist activities. The connection and distinction between terrorist financing and money laundering have long been a key topic of scholarly research and discussion. This also relates to the relationship between counter-terrorism financing and anti-money laundering, as well as the legal methods of prevention, regulation, and punishment for each. From a theoretical perspective, the conduct of terrorist activities requires not only concealing and disguising the nature and source of illicit proceeds, but also obscuring and obfuscating the terrorist purpose of the funds, making them appear legitimate, ultimately exploited by terrorist organizations and individuals. Therefore, terrorism and money laundering are inherently linked. Countries and regions lacking effective anti-money laundering measures are either major sources or transit points for terrorist funds, or are themselves plagued by serious terrorist activity. [1] Terrorist financing and money laundering are closely related, sharing similar fund concealment techniques, but with different objectives: the primary purpose of money laundering is to legitimize illicit funds, transforming illegal criminal proceeds into seemingly legitimate funds, thereby concealing criminal activity and evading judicial recovery and sanctions. Terrorist financing, on the other hand, aims to support terrorist activities. Various financing methods are used to fund violent and brutal terrorist activities targeting innocent victims. In today's era of continuous innovation in the financial sector, China's money laundering crime is undergoing a transformation from "subordination to the unity of subordination and independence." Accordingly, the legal interest protection objective of money laundering is evolving from a single judicial management order to a dual judicial and financial management order, with a tendency to tilt toward finance. [2] While money laundering infringes upon the legal interest of financial management order, terrorist financing, as a complex crime, infringes upon more than just this legal interest. It is multi-layered, transnational, and diffuse, encompassing, for example, international security and social stability, public security and international economic security, and social management order and moral ethics. The severity of its legal interest infringement far exceeds that of money laundering. As fundamental national conditions have evolved, China's understanding of anti-money laundering has evolved beyond simply maintaining national economic and social security and financial stability, or combating corruption. Instead, it recognizes that, under the changing international landscape, national security, particularly in areas such as drug trafficking, telecommunications fraud, and virtual currencies, faces intense challenges from terrorist forces. To cut off the funding sources for terrorist activities, anti-money laundering, as the most critical component of counter-terrorism financing, must also be specifically designed at the top level. Countering terrorist financing is thus integrated into the multifaceted and ongoing process of achieving overall national security, becoming a crucial link and key component in the implementation of the overall national security concept.

2.2. Domestic Legal Framework for Countering Terrorist Financing

After a long and sustained period of development and improvement, China's anti-terrorist financing legal system has formed a framework centered on the Anti-Money Laundering Law and the Anti-Terrorism Law. The Anti-Money Laundering Law (revised in 2024) explicitly expands the definition of money laundering from the original seven categories of predicate crimes (drug-related crimes, organized crime of a mafia nature, terrorist activities, smuggling, corruption and bribery, crimes that disrupt financial management order, and financial fraud) to all types of crime, adds a catch-all clause for "other crimes," and explicitly includes terrorist financing within the scope of anti-money laundering. Article 4 requires financial institutions to conduct customer due diligence and suspicious transaction reporting. The change from "customer identification" to "customer due diligence"

emphasizes dynamic and ongoing monitoring of the identity, background, business relationships, transaction purposes, and risk profile of customers and their beneficial owners. The retention period for customer identity information and transaction records has also been extended from five to ten years. This extension of the record retention period reflects the country's increasing regulatory oversight of financial transactions and its efforts to prevent and control terrorist financing. Regarding risk management measures, the new law allows financial institutions to implement risk management measures such as restrictions on transaction methods, amounts, or frequency, when necessary, but prohibits measures that are clearly inappropriate for the money laundering risk profile. This means that financial institutions have the power and responsibility to detect and prevent potential terrorist financing activities, and their methods are more diverse than simply freezing accounts. It is well known that terrorist financing and money laundering are inherently and inextricably linked. It can also be said that the funding of terrorist activities often involves money laundering to participate in the entire terrorist act, but not all funds are illicitly obtained through crime. From the perspective of fund transfers, strengthening anti-money laundering efforts can help monitor terrorist financing activities in the financial sector. This also means that China's anti-terrorist financing efforts not only strengthen the crackdown but also begin to focus on preventing such crimes. Article 20 of the 2015 Anti-Terrorism Law stipulates that financial institutions must immediately freeze and report terrorist-related funds to public security authorities. Furthermore, Article 191 of the Criminal Law, under the Third Amendment to the Criminal Law, explicitly defines the crime of financing terrorist activities, with a maximum penalty of life imprisonment. The Cybersecurity Law also provides technical support for combating cyber-terrorism financing, requiring internet companies to cooperate with law enforcement agencies in conducting fund monitoring. Furthermore, there are relevant administrative regulations such as the Measures for the Administration of the Freezing of Terrorist-Related Funds and the Measures for the Administration of Anti-Money Laundering and Counter-Terrorist Financing by Payment Institutions. my country also has industry standards jointly or separately formulated by the financial and internet sectors. [3] Overall, China's anti-terrorist financing legal system has undergone a comprehensive upgrade, expanding its scope of application, strengthening regulatory responsibilities, refining obligations, and increasing penalties. The anti-terrorist financing legal system now exhibits a three-dimensional, comprehensive, and systematic architecture. From the perspective of the overall national security concept, top-level design considerations for the construction of China's anti-terrorist financing legal system are becoming increasingly profound and mature.

2.3. International Legal Framework for Countering Terrorist Financing

Through unified rules, networked organizations, and enforceable standards, the international legal framework has transformed countering terrorist financing from a "moral call" into a "global action," becoming the cornerstone for maintaining international financial security and counterterrorism cooperation. Theoretical analysis of international legal issues related to countering terrorist financing should be informed by the current framework of international legal legislation on countering terrorist financing:

2.3.1. United Nations Conventions

The Terrorist Financing Convention is a cornerstone document in the field of counter-terrorist financing and the world's first convention on countering the financing of terrorism. Although adopted in 1999, it did not attract significant attention from countries around the world at the time of its signing. It was not until after the September 11, 2001 terrorist attacks that countries accelerated their signing of the convention. China signed on November 14, 2001. [4] The main contents of the convention include: First, it defines the concept of funds to the greatest extent possible, including electronic or digital assets; second, it defines the crime of financing terrorism for the first time, which will further promote international counter-terrorist financing efforts; third, it further improves the legal liability system for terrorist financing; and fourth, it takes appropriate measures to regulate the financing of

terrorist activities. The convention requires States Parties to criminalize the provision of funds for terrorist activities and establish asset freezing and confiscation mechanisms. [5] Article 2 of the convention clearly stipulates that any act of intentionally providing or soliciting funds for terrorist purposes is a crime. Furthermore, the Convention places great emphasis on international cooperation during its development, requiring countries to strengthen coordination in intelligence sharing, judicial assistance, and extradition. This also requires countries to strengthen cooperation and build an international synergy in countering terrorist financing, effectively addressing the transnational and international nature of today's terrorist financing activities. Relevant UN resolutions also evolve and improve with the times, particularly as technological advancements lead to more complex and covert terrorist financing methods. For example, in 2018, the UN Security Council adopted Resolution 2462, further requiring countries to strengthen oversight of virtual currencies and non-profit organizations involved in terrorist financing.

2.3.2. FATF Standards

FATF, the Financial Action Task Force, was established in 1989 and is currently one of the world's most influential and authoritative international organizations in the fields of anti-money laundering and counter-terrorist financing. China became an observer in 2005 and, after passing the FATF assessment, became a full member in 2007. Initially, the organization's purpose and focus were primarily on anti-money laundering. It was only after 2001 that FATF's responsibilities were extended to countering terrorist financing. The FATF standards cover a range of counter-terrorist financing measures, including risk assessment, customer due diligence, suspicious transaction reporting, and international judicial cooperation. They provide detailed guidance and norms for countries to establish and improve their counter-terrorist financing systems, helping them develop effective counter-terrorist financing strategies and establish counter-terrorist financing systems tailored to their national conditions, thereby fostering a global collaborative effort to combat terrorism financing. In February 2012, the Financial Action Task Force (FATF) issued the "40 Recommendations" entitled "International Standards on Combating Money Laundering, Terrorist Financing, and Proliferation Financing," along with its Special Recommendations on Combating Terrorist Financing, providing specific guidance to countries. The FATF's standards in the field of anti-money laundering and counter-terrorist financing have been widely recognized by countries and international organizations worldwide, becoming the most fundamental guiding principles for global anti-money laundering and terrorist financing efforts. The superiority of the FATF standards is also reflected in their adaptability and progressive nature. The FATF continuously revises and improves its standards to address evolving terrorist financing risks and criminal methods. This also requires countries to promptly adjust and improve their counter-terrorist financing measures in accordance with the latest FATF standards, ensuring that these efforts remain forward-looking and effective.

2.3.3. Regional Mechanisms

At the regional level, the European Union unified member states' regulatory standards through the Anti-Money Laundering and Countering the Financing of Terrorism Directive (AMLD), requiring enhanced due diligence on high-risk customers. For example, the fifth version of the AMLD includes virtual currency exchanges and wallet service providers within its regulatory scope, requiring them to verify customer identities and report suspicious transactions. ASEAN countries are addressing the threat of cross-border terrorist financing through the ASEAN Convention on Counter-Terrorism and intelligence-sharing mechanisms. Upon its establishment in 2001, the Shanghai Cooperation Organization (SCO) promulgated the Shanghai Convention on Combating Terrorism, Separatism and Extremism, demonstrating its resolve and stance on maintaining regional security and combating terrorism, separatism, and extremism. Article 6(5) of the Convention explicitly targets all acts of providing funds, weapons, ammunition, and other assistance to the "three evil forces," marking the first time the SCO has mentioned the financing of terrorism. [6] The SCO has since established a regional counter-terrorism agency as a permanent organization to serve as a platform for sharing intelligence and information on terrorist financing.

2.4. Current Problems in China's Counter-Terrorist Financing Laws

2.4.1. Lack of Specialized Laws and Fragmentation of Related Legal Provisions

my country lacks a dedicated counter-terrorist financing law, and the various relevant departmental laws lack coordination and coordination. The relevant provisions on terrorist financing in China's relevant laws are still very scattered, demonstrating a characteristic of legal fragmentation. For example, the Anti-Money Laundering Law focuses on financial regulation, while the Anti-Terrorism Law is more focused on security enforcement. The two laws lack significant coordination, and counter-terrorist financing receives only limited mention in either. The Anti-Money Laundering Law, primarily overseen by the State Council's anti-money laundering administrative department, focuses on overseeing and supervising the anti-money laundering efforts of financial institutions and designated non-financial institutions, contributing, to some extent, to China's counter-terrorist financing efforts. The Anti-Terrorism Law has a broader regulatory oversight body, encompassing public security organs, state security agencies, anti-money laundering administrative departments, and other departments, emphasizing coordination and collaboration among these departments to jointly prevent and respond to terrorist threats. The Anti-Terrorism Law's anti-terrorist financing provisions, such as the freezing of terrorist assets and the anti-terrorist financing obligations imposed on financial institutions and designated non-financial institutions, further refine and strengthen the specific application and implementation of anti-money laundering efforts in the field of counter-terrorist financing within the context of a comprehensive national security perspective. To better align the anti-terrorist financing provisions of the two laws, the separate legislation of the Anti-Terrorism Financing Law is both practically important and necessary. Furthermore, the lack of coordination between the two regarding the regulation of virtual currencies and non-bank payment institutions has led to a gray area in law enforcement. Even within this area, there should be clearer legal provisions for the division and identification of legal responsibilities. US law explicitly requires virtual currency exchanges to maintain transaction records for five years and imposes heavy fines for failure to report suspicious transactions. China's legal liability provisions are relatively general, lacking detailed penalties for specific violations, resulting in a lack of deterrent effect. Legislation specifically targeting the increasingly serious and dangerous terrorist financing should be considered.

2.4.2. Regulatory Loopholes and Inflexible Models

China's regulation of virtual currencies and non-bank payment institutions remains significantly lacking. The 2019 FATF assessment report noted that China's regulatory oversight of virtual asset service providers is insufficient, failing to effectively address the use of instruments like Bitcoin in terrorist financing. Cases of Bitcoin financing terrorist activities are common in China, with criminals laundering funds through overseas trading platforms, making it difficult for domestic regulators to track them due to a lack of cross-border authority. Furthermore, the weak compliance capabilities of small financial institutions such as rural credit cooperatives and microfinance companies also present a regulatory vulnerability. Furthermore, my country employs a segmented regulatory model, with the People's Bank of China and the China Banking and Insurance Regulatory Commission (CBIRC) responsible for different areas. This creates a significant conflict with the current state of hybrid and innovative financial services. Third-party payment platforms such as WeChat Pay and Alipay involve a large number of small transactions, yet regulatory focus remains on traditional banks, preventing effective coverage of emerging financial sectors.

2.4.3. Shortcomings in International Cooperation

According to the Egmont Group, financial intelligence units are categorized into four types: judicial, law enforcement, administrative, and hybrid. China's financial intelligence unit is unique globally in its institutional nature. [7] This type of situation means that my country lags behind in international counter-terrorist financing information exchange, suffers from a lack of intelligence, and lacks coordination and cooperation with international organizations and other countries. China's

intelligence-sharing mechanism with FATF member countries is not yet fully developed, and cross-border fund tracing is inefficient. Cases involving overseas virtual currency transactions often struggle to proceed due to a lack of judicial assistance.

2.4.4. Lagging Technological Application

Big data and artificial intelligence are insufficiently applied in China's suspicious transaction monitoring, and the potential of blockchain technology in fund tracing has not been fully tapped. The United States has successfully tracked the flow of terrorist-related funds on the dark web through collaboration with blockchain analysis companies such as Chainalysis, and has also used blockchain technology to crack a terrorist financing case involving funds transferred through Ethereum. While China's artificial intelligence capabilities have achieved unprecedented development, the research and development and application of related counter-terrorist financing technologies remain in their infancy, lacking similar professional support.

2.4.5. Insufficient Social Mobilization and Low Social Participation

China's anti-terrorist financing campaign is insufficiently publicized. Citizens are unaware of the harmful and dangerous nature of terrorist financing, and even less aware that these acts that foster the seeds of terrorist activity are occurring right next to them. Citizens also fail to grasp that some seemingly illegal activities that undermine financial management actually foster brutal and violent terrorist attacks. Chinese citizens display low awareness of anti-terrorist financing and are less enthusiastic about reporting it.

3. EXPERIENCE AND LESSONS FROM INTERNATIONAL ANTI-TERRORIST FINANCING LEGAL SYSTEMS

3.1. The United States: Tough Legislation and Technology-Driven Approach

In October 2001, the United States strengthened its counter-terrorist financing capabilities through the passage of the Patriot Act, which dedicated a section to combating international money laundering and terrorist financing, becoming the world's first law to provide detailed information and regulations on counter-terrorist financing. [8] The Act imposes strict regulations and restrictions on U.S. financial industry practices, expands the scope of financial intelligence collection, and grants greater authority to the Financial Crimes Enforcement Network (FinCEN). In 2020, FinCEN proposed new regulations requiring virtual currency service providers to comply with anti-money laundering and counter-terrorist financing regulations, including recording and reporting transaction information to regulators. Furthermore, the United States now utilizes blockchain analysis companies such as Chainalysis to track terrorist financing. [9] For example, in 2020, the U.S. Department of Justice successfully seized over \$1 million in funds raised by al-Qaeda through Bitcoin using blockchain analysis technology. This fully demonstrates the United States' seamless integration of technological development into legislative advancements, a point worth emulating in my country as it builds its own anti-terrorist financing legal system.

3.2. The United Kingdom: Risk-Based, Flexible Regulation, with Prevention and Punishment Coexisting Independently and Working Together

A "risk-based" supervisory strategy refers to a regulatory approach in which supervisory agencies, based on their assessment of the terrorist financing risks faced by different industries, institutions, and businesses, allocate supervisory resources in a targeted manner and adopt differentiated supervisory measures to effectively prevent and combat terrorist financing activities. Specifically, this requires financial regulators to implement a regulatory approach that prioritizes risk assessment and differentiates resource allocation, and requires financial institutions to establish risk management systems and conduct customer due diligence. The UK's counter-terrorist financing system is based

on the Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. This regulation adopts a risk-based approach, requiring financial institutions to adjust compliance measures based on the risk level of their customers and transactions. Virtual currency trading platforms are required to submit annual risk assessment reports and undergo regular inspections by the Financial Conduct Authority (FCA). Furthermore, the UK adopted the "Countering Terrorist Financing Guidelines" in September 2021, integrating intelligence resources and leveraging the National Crime Agency (NCA) to improve fund tracing efficiency. UK counter-terrorist financing legislation consists of preventive and punitive laws. Preventive laws include the Anti-Money Laundering Act and the Anti-Money Laundering Regulations, while punitive laws include the Anti-Terrorism Act. These two types of legislation operate in parallel, combining risk-based assessment criteria with anti-money laundering and counter-terrorist financing regulations to form a relatively comprehensive financial institution regulatory and risk assessment system. This helps regulators focus their supervisory resources on areas with higher terrorist financing risks, enabling targeted action against key risks and effectively enhancing the targeted nature and deterrent effect of regulation. It also reduces compliance costs and promotes the healthy development of financial markets. This regulatory approach also encourages financial institutions to more proactively understand their own terrorist financing risks, driving them to continuously improve their internal risk prevention and control mechanisms. It also heightens compliance awareness within financial institutions, gradually fostering a strong culture of anti-terrorist financing compliance across the financial sector.

3.3. International Collaboration: Intelligence Sharing and Joint Law Enforcement

Financial intelligence units (FIUs) are a core component of national anti-money laundering and counter-terrorist financing systems. Information sharing and exchange among FIUs is fundamental to international counter-terrorist financing efforts, and their importance cannot be overstated. In 1995, FIUs from the United Kingdom, the United States, and other countries met at Egmont-Aschenberg Palace in Brussels, Belgium, and decided to establish the Egmont Financial Intelligence Group (Egmont FIU), an international organization comprised of FIUs. Since its establishment, the Egmont FIU has played a vital role in combating money laundering and other financial crimes, serving as a crucial channel for information exchange among FIUs. Following the September 11th terrorist attacks, the Egmont FIU was also tasked with countering financial terrorism. In recent years, to strengthen effective information exchange among FIUs, the Egmont FIU has developed a series of principles, guidelines, and procedural standards. The "Egmont FIU Principles for Information Exchange among FIUs," adopted in July 2013, stipulate that FIUs should exchange information freely and spontaneously upon request, based on mutual benefit. Financial intelligence agencies (FIUs) should ensure they can provide the broadest possible international cooperation to combat money laundering, related predicate crimes, and terrorist financing in a swift, constructive, and effective manner. Currently, the group comprises 159 financial intelligence units (FIUs), providing a secure platform for the exchange of expertise and financial intelligence across countries and becoming a cornerstone of international cooperation in combating money laundering and terrorist financing. [10] The Egmont Group, an international organization for financial intelligence agency cooperation, has, through continuous exploration and development, defined itself as a centralized national agency. It actively seeks collaboration with INTERPOL and has repeatedly facilitated cross-border fund tracing and law enforcement operations. The establishment of this type of agency, combined with its own activities in the field of counter-terrorist financing, demonstrates that international collaboration is key to combating cross-border terrorist financing.

4. MEASURES TO IMPROVE CHINA'S ANTI-TERRORIST FINANCING LEGAL SYSTEM

4.1. Building a Relevant Legal Framework

Although my country has provisions on combating terrorist financing in multiple laws and regulations, these provisions are scattered across various laws, lacking systematicity and integrity, and are somewhat duplicative. Therefore, I believe the primary goal at present is to enact a dedicated Anti-Terrorist Financing Law to clarify the definition of terrorist financing, legal responsibilities, and asset management systems, thereby filling the fragmentation of existing laws. The country needs to enact a single law to consolidate all the fragmented and targeted anti-terrorist financing laws. Enacting a dedicated law will also help relevant units and institutions to carry out appropriate supervision and penalties in accordance with the law. The enactment of a separate Anti-Terrorist Financing Law is also extremely relevant. The current international situation is turbulent, and factors of instability are brewing both domestically and internationally. In these circumstances, maintaining social and national stability requires strengthening the focus on terrorist financing within the context of a comprehensive national security approach. Separate legislation will help better monitor the movements of terrorist organizations and curb terrorist activities. Most importantly, terrorist activities are extremely destructive and harmful to society, often indiscriminately targeting society and the general public, in violation of humanitarian law on a large scale. Their severity is unmatched by that of ordinary economic crimes. Separate legislation can more clearly define the elements of terrorist financing crimes and increase penalties for related offenses, thereby creating a stronger deterrent and effectively curbing the occurrence of terrorist financing. Secondly, existing laws must be improved. Anti-money laundering, as a connecting link, connects many non-traditional national security issues in my country, including financial security, counter-terrorism, and international cooperation, becoming a crucial component and lever for implementing the comprehensive national security approach. Given the harmful effects and serious nature of money laundering, my country has established a relatively comprehensive criminal anti-money laundering legal system. However, facing the new and complex situation and the broader context of international cooperation, we need to examine anti-money laundering within the context of an overall national security perspective. [11] The legal provisions in the Anti-Money Laundering Law should more directly emphasize the role of money laundering in terrorist financing, clarify the potential harm caused by the potential relationship between the two, and provide programmatic guidance to address the problem and implement supervision and punishment. The purpose of terrorist financing is also non-economic: it is to support terrorist activities rather than pursue economic benefits. This is fundamentally different from the purpose of other criminal acts such as money laundering, which determines its unique characteristics in terms of fund raising, use, and circulation, and also requires targeted legislation to address it. Existing laws should also include regulatory provisions for virtual currencies and charitable organizations, clarifying their compliance obligations and penalty standards. Some terrorist organizations obtain funds by infiltrating or controlling charitable organizations, or use the transfer and exchange of virtual currencies to support terrorist activities. At the same time, my country should strengthen the legal early warning mechanism in the field of anti-terrorist financing, and conduct advance understanding and analysis of potential legal risks in both financial and particularly sensitive non-financial industries. The law must also reflect warnings and guidance on these potential risks. Only in this way can the breeding and development of terrorist financing be curbed to the greatest extent possible. Finally, the anti-terrorist financing legal system should strengthen the expression of international cooperation and prioritize international cooperation in counter-terrorist financing. Furthermore, provisions for cross-border tracing and international cooperation should be added to enhance the internationalization of the law. The global counter-terrorism situation is complex and severe, and the transnational nature of terrorist activities is prominent, necessitating strengthened cooperation and exchange among countries. Improving the norms and requirements for international

cooperation within China's anti-terrorist financing legal system will facilitate alignment with the counter-terrorism legal systems of other countries, provide a solid legal foundation for counter-terrorism cooperation such as international judicial assistance, intelligence sharing, and joint operations, and foster a joint international effort to combat terrorist financing. These are all important areas where my country currently has gaps or deficiencies in the field of counter-terrorist financing. In summary, the primary goal of improving China's anti-terrorist financing legal system is to establish a complete, coordinated, and international legal framework.

4.2. Optimize Regulatory Coordination Mechanisms and Flexibly Adapt Regulatory Models

The country should establish a National Counter-Terrorist Financing Center to coordinate the resources of the People's Bank of China, the Ministry of Public Security, the Ministry of Foreign Affairs, and other departments to integrate financial transaction data and public security intelligence, publish quarterly counter-terrorist financing risk assessment reports, and establish a mechanism for information sharing and joint law enforcement. The country also needs to further improve the inter-ministerial joint conference system for anti-money laundering, using this joint conference as a basis to coordinate regulatory work on anti-money laundering, anti-terrorist financing, and anti-tax evasion (the "Three Antis"). The National Counter-Terrorist Financing Center should be fully responsible for the operation of this conference system, utilizing it to integrate relevant resources and information, thereby significantly improving the efficiency of crime supervision and information processing in China's counter-terrorist financing sector. This will provide a dedicated centralized regulatory unit and facilitate coordinated management. Regulatory models should also follow the UK's experience, implementing differentiated management based on the risk level of institutions and strengthening monitoring of high-risk areas such as virtual currency transactions and cross-border remittances. The new Anti-Money Laundering Law has made improvements in this regard. Implementing a "risk-based" regulatory approach, the new law requires financial institutions to optimize resource allocation, staff appropriately, and conduct money laundering risk assessments based on their money laundering risk profile. The introduction of this principle marks a shift in China's anti-money laundering efforts from "formal compliance" to "substantive compliance." Furthermore, my country should strengthen coordination and cooperation between anti-money laundering administrative departments, tax authorities, and regulatory authorities in designated non-financial sectors. China should also closely monitor evolving money laundering and terrorist financing risks in the non-financial sector, conduct timely risk assessments of high-risk industries, and study risk distribution and development trends. For industries with specific requirements outlined in international anti-money laundering standards, such as real estate agencies, precious metals and jewelry sales, corporate services, and other designated non-financial sectors posing higher risks, my country should also gradually establish corresponding anti-money laundering and counter-terrorist financing regulatory systems. Adhering to the principle of "one policy for each industry," China should formulate specific regulatory policies tailored to the specific characteristics of each industry and precisely addressing its risks. High-risk institutions could even be required to submit monthly compliance reports and undergo surprise inspections, while lower-risk areas could be allocated less attention. This would allow for more efficient and flexible supervision, allowing for greater focus on high-risk areas and ensuring national financial security and social stability.

4.3. Establishing a Financial Intelligence Unit and Strengthening International Counter-Terrorist Financing Cooperation

Financial intelligence units are of vital importance both domestically and internationally. Domestically, they serve as institutions integrating domestic financial risk intelligence, as outposts assisting various departments in managing and controlling terrorist financing, and as platforms for coordinating tasks across departments and units. Internationally, they are the cornerstone of cross-

border counter-terrorist financing cooperation and the foundation for international financial intelligence exchange. Therefore, an independent, empowered financial intelligence unit plays a crucial role in the development of a national counter-terrorist financing legal system. The new Anti-Money Laundering Law also represents a breakthrough compared to previous legislation in terms of facilitating cross-border cooperation and information sharing. The new law now allows relevant state authorities to require foreign financial institutions to cooperate with anti-money laundering and counter-terrorist financing regulatory activities under specific circumstances. It also establishes an information sharing mechanism, providing a legal basis for the sharing of anti-money laundering information among financial institutions and members of financial holding companies. As anti-money laundering and counter-terrorist financing efforts deepen, the role of financial intelligence units (FIUs) has become increasingly prominent. Practice has demonstrated that the collection, analysis, assessment, and transfer of information and leads related to money laundering and terrorist financing by FIUs directly determines the effectiveness of these efforts. Therefore, examining the development of legal regulations governing FIUs and drawing on the valuable experiences and practices of other countries is of great significance for further strengthening the foundation of China's anti-money laundering and counter-terrorist financing efforts and advancing the development of China's financial legal system. [12]

4.4. Strengthen Digital Empowerment and Promote Technological Application

Advances in AI and big data algorithms absolutely must extend to China's counter-terrorism financing efforts. my country needs to build a national big data platform to integrate data from multiple sources, including finance, telecommunications, and the internet. Using AI algorithms, it can screen suspicious transactions and leverage the learning capabilities of AI algorithms to enhance the monitoring capabilities of regulatory systems, automatically detecting abnormal behavior in financial activities and promptly providing data to relevant authorities. Furthermore, to combat the use of virtual currencies for terrorist financing, my country can also learn from the United States' use of blockchain's immutable nature to track capital flows, particularly in virtual currency flows, which can complement the shortcomings of traditional regulation. On September 4, 2017, the People's Bank of China and seven other ministries and commissions issued the "Announcement on Preventing Risks in Token Issuance and Financing," emphasizing the nature and status of virtual currencies. The announcement stated that virtual currencies are not issued by monetary authorities, lack the legal tender and compulsory nature of currency, and lack the same legal status as currency, nor can they be circulated and used as currency in the market. The central bank also defined virtual currencies as virtual commodities, meaning they can only exist as investment products, and that individuals trade at their own risk. While personal possession of virtual currencies is not illegal, their high volatility and anonymity make them particularly vulnerable to exploitation by criminals for illicit activities. Therefore, I support China's financial regulators in maintaining a cautious approach to virtual currencies and strictly preventing and combating illegal and criminal activities related to them. On September 15, 2021, the People's Bank of China and ten other government departments jointly issued the "Notice on Further Preventing and Addressing the Risks of Speculation in Virtual Currency Transactions," clarifying that virtual currencies do not have the same legal status as legal tender, and that related activities constitute illegal financial activities. Specifically, these activities include exchanging fiat currency for virtual currencies, exchanging virtual currencies for one another, acting as a central counterparty for the purchase and sale of virtual currencies, providing information intermediary and pricing services for virtual currency transactions, token issuance and financing, and trading virtual currency derivatives. These activities are all suspected of illegal financial activities, including the illegal issuance of tokens and tickets, unauthorized public issuance of securities, illegal futures trading, and illegal fundraising. These activities are strictly prohibited and resolutely outlawed in accordance with the law. Those who engage in such illegal financial activities and constitute crimes will be held criminally liable in accordance with the law. Although my country has clearly established in its judicial system that virtual currencies do not have the same legal status as legal tender and

cannot be circulated and used as currency in the market, and related business activities are considered illegal financial activities, it is not illegal for individuals to hold virtual currencies, and as virtual commodities, they have property value. However, as long as virtual currencies are held in China, illegal transactions or exchanges are inevitable. Furthermore, due to the transnational and covert nature of terrorist financing, terrorist organizations are increasingly exploiting the anonymity and decentralized nature of virtual currencies to raise and transfer funds. My country is also inevitably becoming a transit point or source of funds for terrorist financing activities. To prevent and regulate the use of virtual currencies in domestic terrorist financing activities, platform accounts containing or holding virtual currencies can be required to upload their holdings to a blockchain and authorize regulators to access relevant data. If they fail to cooperate with regulatory risk assessments and inspections, the platforms will be immediately and strictly shut down, and the virtual currencies will be uniformly confiscated and managed. This way, even if terrorist financing activities using virtual currencies are indeed carried out, blockchain technology can be used to promptly trace the source and take appropriate measures.

4.5. Enhance Public Awareness and Promote Social Participation

Countering terrorist financing isn't just a national responsibility; all of society bears a corresponding responsibility. After all, terrorist activities are brutal, violent, inhumane, and indiscriminate for everyone. Therefore, all citizens should lead by example and participate in this massive campaign against terrorist financing to safeguard this hard-earned peace and tranquility. Social awareness should also be strengthened, including through the media, schools, and communities. Short videos promoting counter-terrorism financing should be produced and broadcast on social media and in public places to enhance public identification and prevention capabilities. Only by leveraging the boundless power of the people can counter-terrorism financing efforts be better advanced. To this end, the state can also establish public participation policies that balance rewards and protections to encourage social participation in counter-terrorism financing prevention and control. For example, a special fund could be established to provide citizens who provide effective leads with monetary rewards and social recognition while ensuring their personal safety. This would encourage public participation in the fight against terrorist financing. At the same time, we must raise public awareness of counter-terrorism financing activities and cultivate a sense of responsibility among the public.

5. SUMMARY AND OUTLOOK

China's anti-terrorist financing legal system needs to strike a balance between international integration and domestic innovation. Research indicates that legal fragmentation, regulatory loopholes, technological lags, and insufficient social participation are currently the main challenges. A comprehensive approach of targeted legislation, optimized regulation, technological empowerment, and social mobilization can effectively enhance system effectiveness and contribute to the development of China's anti-terrorist financing legal framework. With the rapid development of the digital economy, virtual currencies and artificial intelligence are likely to become key areas of anti-terrorist financing governance. Going forward, my country needs to strengthen international cooperation, promote the localized implementation of FATF standards in China, and explore intelligent regulatory models driven by AI and big data algorithms to address the increasingly complex threat of terrorist financing. Furthermore, as my country strengthens anti-terrorist financing publicity and raises public awareness, social forces will play a greater role in counter-terrorist financing prevention and control.

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